

PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

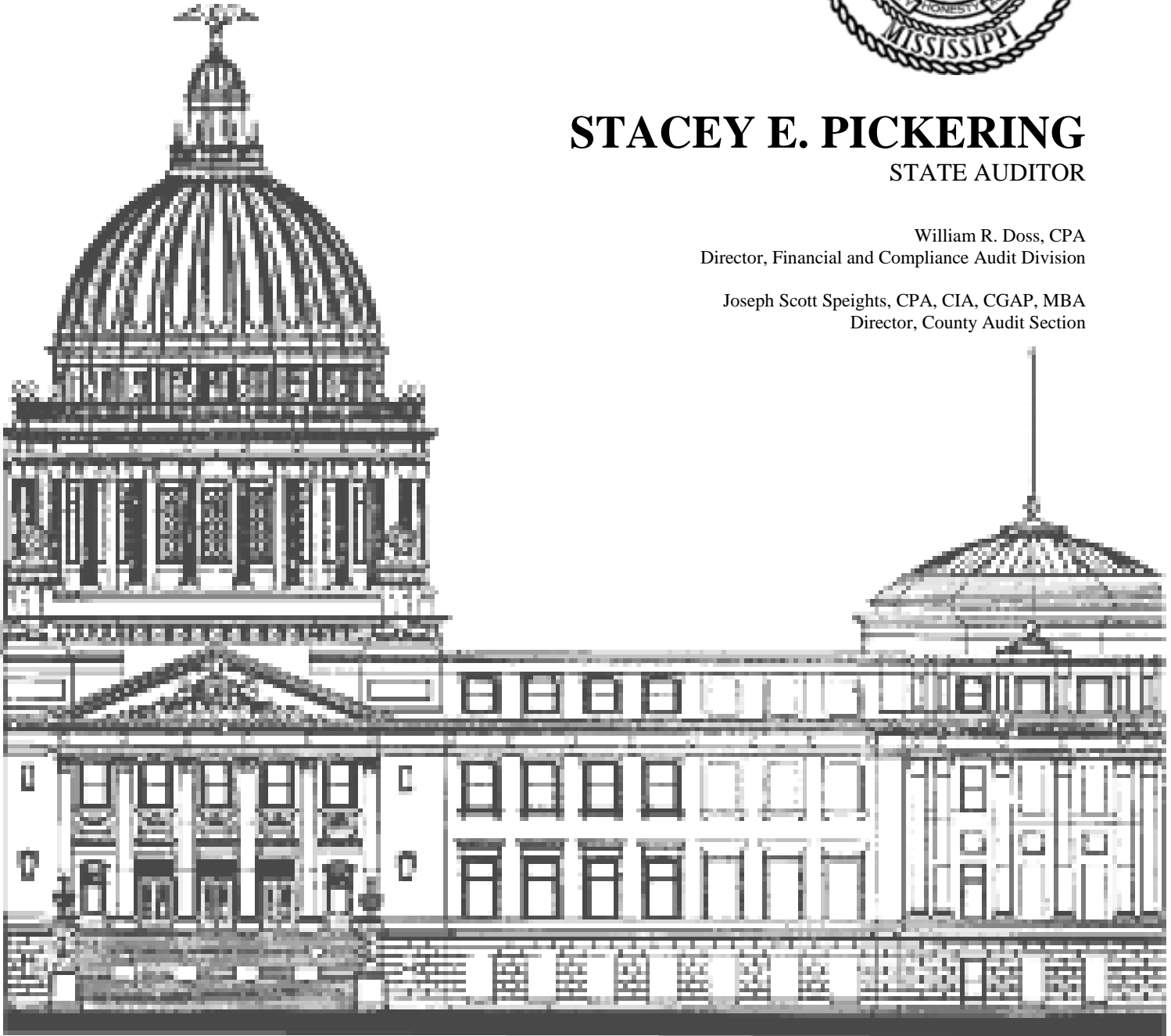


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

November 19, 2014

Members of the Board of Supervisors
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Perry County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Perry County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Perry County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

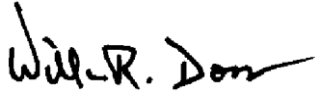
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of Perry County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perry County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 19, 2014

PERRY COUNTY

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PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 7,313,330
Property tax receivable	4,612,909
Fines receivable (net of allowance for uncollectibles of \$1,077,315)	178,371
Deferred charges - bond issuance costs	53,099
Intergovernmental receivables	85,880
Other receivables	4,774
Capital assets:	
Land	922,928
Other capital assets, net	29,736,720
Total Assets	<u>42,908,011</u>
LIABILITIES	
Claims payable	118,449
Intergovernmental payables	96,544
Accrued interest payable	69,957
Deferred revenue	4,612,909
Other payables	29,941
Long-term liabilities	
Due within one year:	
Capital debt	615,048
Due in more than one year:	
Capital debt	5,776,827
Non-capital debt	66,422
Total Liabilities	<u>11,386,097</u>
NET POSITION	
Net investment in capital assets	24,267,773
Restricted for:	
Expendable:	
General government	156,593
Public safety	232,731
Public works	2,251,801
Culture and recreation	448,520
Economic development and assistance	691,085
Debt service	175,800
Unemployment compensation	156,034
Unrestricted	3,141,577
Total Net Position	<u>\$ 31,521,914</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,429,560	292,916	15,758		(2,120,886)
Public safety	1,703,055	170,391	172,014	3,967	(1,356,683)
Public works	4,762,091		1,925,992	1,176,899	(1,659,200)
Health and welfare	226,024		44,624		(181,400)
Culture and recreation	143,917	13,865	663		(129,389)
Education	534,175		534,175		
Conservation of natural resources	38,923				(38,923)
Economic development and assistance	61,313				(61,313)
Interest on long-term debt	244,881				(244,881)
Total Governmental Activities	<u>\$ 10,143,939</u>	<u>477,172</u>	<u>2,693,226</u>	<u>1,180,866</u>	<u>(5,792,675)</u>
General revenues:					
Property taxes				\$	4,556,151
Road & bridge privilege taxes					160,314
Grants and contributions not restricted to specific programs					591,449
Unrestricted interest income					6,858
Miscellaneous					846,194
Total General Revenues					<u>6,160,966</u>
Changes in Net Position					368,291
Net Position - Beginning					<u>31,153,623</u>
Net Position - Ending				\$	<u>31,521,914</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>District 5 Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 3,108,245	317,930	3,887,155	7,313,330
Property tax receivable	2,388,200	243,270	1,981,439	4,612,909
Fines receivable (net of allowance for uncollectibles of \$1,077,315)	178,371			178,371
Intergovernmental receivables	72,180	5,833	7,867	85,880
Other receivables	4,774			4,774
Due from other funds		5,495	33,909	39,404
Total Assets	<u>\$ 5,751,770</u>	<u>572,528</u>	<u>5,910,370</u>	<u>12,234,668</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 42,781	13,258	62,410	118,449
Intergovernmental payables	92,476			92,476
Due to other funds	43,472			43,472
Deferred revenue	2,566,571	243,270	1,981,439	4,791,280
Other payables	29,941			29,941
Total Liabilities	<u>2,775,241</u>	<u>256,528</u>	<u>2,043,849</u>	<u>5,075,618</u>
Fund balances:				
Restricted for:				
General government			156,593	156,593
Public safety			232,731	232,731
Public works		316,000	1,935,801	2,251,801
Culture and recreation			448,520	448,520
Economic development and assistance			691,085	691,085
Debt service			245,757	245,757
Unemployment compensation			156,034	156,034
Unassigned	2,976,529			2,976,529
Total Fund Balances	<u>2,976,529</u>	<u>316,000</u>	<u>3,866,521</u>	<u>7,159,050</u>
Total Liabilities and Fund Balances	<u>\$ 5,751,770</u>	<u>572,528</u>	<u>5,910,370</u>	<u>12,234,668</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,159,050
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$44,257,783.	30,659,648
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	178,371
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,458,297)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(69,957)
Deferred charges - bond issuance costs	<u>53,099</u>
Total Net Position - Governmental Activities	\$ <u><u>31,521,914</u></u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds			
	General	District 5 Road	Other	Total
	Fund	Maintenance	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 2,252,311	257,771	2,046,069	4,556,151
Road and bridge privilege taxes		32,061	128,253	160,314
Licenses, commissions and other revenue	143,176		3,985	147,161
Fines and forfeitures	147,615		7,877	155,492
Intergovernmental revenues	1,252,691	996,521	2,216,329	4,465,541
Charges for services	25,320		136,102	161,422
Interest income	6,858			6,858
Miscellaneous revenues	187,716	100,582	488,518	776,816
Total Revenues	4,015,687	1,386,935	5,027,133	10,429,755
EXPENDITURES				
Current:				
General government	2,436,463		180,723	2,617,186
Public safety	1,345,620		468,794	1,814,414
Public works	19,720	1,379,742	5,067,951	6,467,413
Health and welfare	209,648			209,648
Culture and recreation	60,583		159,611	220,194
Education	534,175			534,175
Conservation of natural resources	38,923			38,923
Economic development and assistance			61,313	61,313
Debt service:				
Principal	27,195	196,447	598,674	822,316
Interest	1,814	7,160	241,215	250,189
Total Expenditures	4,674,141	1,583,349	6,778,281	13,035,771
Excess of Revenues over (under) Expenditures	(658,454)	(196,414)	(1,751,148)	(2,606,016)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	26,439	164,064	419,941	610,444
Proceeds from sale of capital assets		4,471	104,236	108,707
Compensation for loss of capital assets	35,796	26,401		62,197
Transfers in			1,000	1,000
Transfers out	(1,000)			(1,000)
Total Other Financing Sources and Uses	61,235	194,936	525,177	781,348
Net Changes in Fund Balances	(597,219)	(1,478)	(1,225,971)	(1,824,668)
Fund Balances - Beginning	3,573,748	317,478	5,092,492	8,983,718
Fund Balances - Ending	\$ 2,976,529	316,000	3,866,521	7,159,050

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,824,668)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,322,866 exceeded depreciation of \$1,254,431 in the current period.	2,068,435
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$69,378 and the proceeds from the sale of \$108,707 and compensation for loss of capital assets of \$62,197 in the current period.	(101,526)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	13,097
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$822,316 exceeded debt proceeds of \$610,444.	211,872
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences liability	(1,057)
The decrease in accrued interest payable	5,308
The amortization of bond issuance costs	(3,170)
Change in Net Position of Governmental Activities	\$ <u>368,291</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	892
Due from other funds		4,068
Total Assets	\$	<u>4,960</u>
LIABILITIES		
Intergovernmental payables	\$	<u>4,960</u>
Total Liabilities	\$	<u>4,960</u>

The notes to the financial statements are an integral part of this statement.

PERRY COUNTY

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PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Perry County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Perry County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

District 5 Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for maintenance of roads located in District 5 of Perry County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

N. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$7,314,222, and the bank balance was \$7,886,266. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
District 5 Road Maintenance	General	\$ 5,495
Other Governmental Funds	General	33,909
Agency Funds	General	4,068
Total		\$ 43,472

The receivables represent the tax revenue collected in September but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 1,000

The principal purpose of the interfund transfer was to provide funds to pay for operating costs. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 55,792
Highway planning and construction	3,866
Housing prisoners reimbursement	14,780
Emergency management performance grants	1,608
Mississippi Department of Transportation - overweight fines	9,834
	<hr/>
Total Governmental Activities	\$ <u>85,880</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 912,903	10,025			922,928
Depreciable capital assets:					
Infrastructure	56,959,049	2,120,500			59,079,549
Buildings	7,202,836	133,909			7,336,745
Improvements other than buildings	77,247	26,669			103,916
Mobile equipment	4,404,525	163,687	234,512	329,724	4,663,424
Furniture and equipment	790,725	351,746	14,300	13,870	1,142,041
Leased property under capital leases	1,595,132	516,330	99,040	(343,594)	1,668,828
Total depreciable capital assets	71,029,514	3,312,841	347,852	0	73,994,503
Less accumulated depreciation for:					
Infrastructure	35,456,188	677,292			36,133,480
Buildings	2,880,458	122,627			3,003,085
Improvements other than buildings	25,269	4,157			29,426
Mobile equipment	3,689,988	123,512	200,022	223,994	3,837,472
Furniture and equipment	497,623	107,332	12,869	1,247	593,333
Leased property under capital leases	700,152	219,511	33,435	(225,241)	660,987
Total accumulated depreciation	43,249,678	1,254,431	246,326	0	44,257,783
Total depreciable capital assets, net	27,779,836	2,058,410	101,526	0	29,736,720
Governmental activities capital assets, net	\$ <u>28,692,739</u>	<u>2,068,435</u>	<u>101,526</u>	<u>0</u>	<u>30,659,648</u>

*Adjustments are the reclassification of paid out capital leases from leased property to mobile equipment and furniture and equipment.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 141,392
Public safety	122,093
Public works	965,227
Health and welfare	16,376
Culture and recreation	9,343
	<hr/>
Total governmental activities depreciation expense	\$ 1,254,431

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,462,987
Furniture and equipment	205,841
	<hr/>
Total	1,668,828
Less: Accumulated depreciation	660,987
	<hr/>
Leased Property Under Capital Leases	\$ 1,007,841

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2014	\$ 285,048	17,636
2015	245,925	11,646
2016	191,048	6,625
2017	151,335	3,011
2018	58,519	482
	<hr/>	<hr/>
Total	\$ 931,875	39,400

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(8) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail building bonds	\$ 100,000	5.80/6.00%	06-2014
General obligation road & bridge bonds	<u>5,360,000</u>	3.50/4.25%	06-2030
Total General Obligation Bonds	<u>\$ 5,460,000</u>		
B. Capital Leases:			
2010 Crown Victoria	\$ 9,206	3.14%	08-2015
2012 Chevrolet Tahoe	13,587	2.50%	11-2015
2012 Dodge Charger	17,441	2.24%	08-2017
2013 Dodge Charger	22,649	2.22%	01-2018
E911 CAD/GIS System	173,009	2.09%	12-2017
2011 International garbage truck	12,938	3.10%	03-2014
4300 International dump body	6,856	3.21%	04-2014
New Holland tractor	3,252	3.07%	04-2014
Kubota tractor	3,081	3.07%	04-2014
Kubota tractor	23,265	2.09%	05-2016
Kubota tractor & Diamond boom mower	65,163	2.19%	05-2018
4300 International dump body	6,652	3.21%	04-2014
2010 International dump truck	4,265	3.10%	01-2014
Kubota tractor & front-end loader	27,860	2.13%	05-2016
Kubota tractor	30,767	2.27%	10-2017
2010 International dump truck	4,265	3.10%	01-2014
2012 Hyundai hydraulic crawler	87,962	2.19%	09-2017
Kubota tractor	23,265	2.09%	05-2016
Kubota tractor	23,265	2.09%	05-2016
Kubota tractor & front-end loader	27,328	2.09%	05-2016
(2) Kubota tractors & (1) Diamond boom mower	100,451	2.19%	06-2018
2011 Freightliner dump truck	28,919	3.14%	08-2015
2011 Freightliner dump truck	28,919	3.14%	08-2015
US mower	32,342	2.01%	09-2016
John Deere backhoe	61,054	2.16%	01-2018
Motor grader	<u>94,114</u>	2.17%	09-2018
Total Capital Leases	<u>\$ 931,875</u>		

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2014	\$ 330,000	208,369
2015	240,000	193,169
2016	250,000	184,169
2017	260,000	174,794
2018	265,000	165,044
2019 – 2023	1,500,000	676,957
2024 – 2028	1,800,000	381,219
2029 – 2033	815,000	49,200
Total	\$ 5,460,000	2,032,921

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 4.50% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 65,365	1,057			66,422	
General obligation bonds	5,775,000		315,000		5,460,000	330,000
Capital leases	828,747	610,444	507,316		931,875	285,048
Total	\$ 6,669,112	611,501	822,316	0	6,458,297	615,048

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and Road Maintenance Funds.

(9) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(10) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2013
Industrial revenue bonds	\$ 73,000,000

(11) Joint Ventures.

The County participates in the following joint ventures:

Perry County is a participant with the Counties of Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and it is governed by a six-member board. Each county appoints two board members. By contractual agreement, the County's appropriation to the joint venture was \$59,920 in fiscal year 2013. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, and the Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste for members of the authority. The Perry County Board of Supervisors appoints one of 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each county and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County provides a modest amount of financial support when matching funds are required for federal grants.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Southeast Mississippi Air Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$42,275 for support of the district in fiscal year 2013.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$26,112 for support of the entity in fiscal year 2013.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$75,500 for support of the district in fiscal year 2013.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$276,157 for maintenance and support of the college in fiscal year 2013.

(13) Defined Benefit Pension Plan.

Plan Description. Perry County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012, and 2011 were \$343,702, \$305,507, and \$276,141 respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Perry County evaluated the activity of the County through November 19, 2014, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Subsequent to September 30, 2013, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/30/2013	2.17%	\$ 26,437	Capital lease	Ad valorem taxes
12/06/2013	2.17%	39,240	Capital lease	Ad valorem taxes
01/24/2014	2.17%	39,240	Capital lease	Ad valorem taxes
02/25/2014	2.03%	16,730	Capital lease	Ad valorem taxes
03/05/2014	2.17%	39,240	Capital lease	Ad valorem taxes
06/24/2014	2.03%	16,730	Capital lease	Ad valorem taxes

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY

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PERRY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,237,754	2,253,601	2,253,601	
Licenses, commissions and other revenue	116,800	143,691	143,691	
Fines and forfeitures	147,000	148,160	148,160	
Intergovernmental revenues	1,148,185	1,423,556	1,423,556	
Charges for services	6,500	22,770	22,770	
Interest income		8,016	8,016	
Miscellaneous revenues	156,941	158,363	158,363	
Total Revenues	<u>3,813,180</u>	<u>4,158,157</u>	<u>4,158,157</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,812,628	2,483,317	2,483,317	
Public safety	1,437,816	1,319,622	1,319,622	
Public works	1,000	1,000	1,000	
Health and welfare	220,746	213,881	213,881	
Culture and recreation	73,441	60,583	60,583	
Education	582,218	638,889	638,889	
Conservation of natural resources	50,076	38,923	38,923	
Debt service:				
Principal		24,583	24,583	
Interest		1,801	1,801	
Total Expenditures	<u>5,177,925</u>	<u>4,782,599</u>	<u>4,782,599</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,364,745)</u>	<u>(624,442)</u>	<u>(624,442)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		39,089	39,089	
Transfers in	95,119	10,000	10,000	
Transfers out	(10,000)	(11,432)	(11,432)	
Other financing uses	(40,603)	(39,669)	(39,669)	
Total Other Financing Sources and Uses	<u>44,516</u>	<u>(2,012)</u>	<u>(2,012)</u>	<u>0</u>
Net Change in Fund Balance	(1,320,229)	(626,454)	(626,454)	0
Fund Balances - Beginning	<u>3,083,851</u>	<u>3,581,985</u>	<u>3,581,985</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,763,622</u>	<u>2,955,531</u>	<u>2,955,531</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PERRY COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
District 5 Road Maintenance Fund
For the Year Ended September 30, 2013
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 270,430	257,902	257,902	
Road and bridge privilege taxes		31,692	31,692	
Intergovernmental revenues	299,832	389,968	389,968	
Miscellaneous revenues		6,912	6,912	
Total Revenues	<u>570,262</u>	<u>686,474</u>	<u>686,474</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	924,436	634,992	634,992	
Debt service:				
Principal	68,375	102,098	102,098	
Interest		7,395	7,395	
Total Expenditures	<u>992,811</u>	<u>744,485</u>	<u>744,485</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(422,549)</u>	<u>(58,011)</u>	<u>(58,011)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		41,975	41,975	
Transfers in		8,556	8,556	
Total Other Financing Sources and Uses	<u>0</u>	<u>50,531</u>	<u>50,531</u>	<u>0</u>
Net Change in Fund Balance	(422,549)	(7,480)	(7,480)	
Fund Balances - Beginning	<u>422,549</u>	<u>325,410</u>	<u>325,410</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>317,930</u>	<u>317,930</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PERRY COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2013 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	District 5 Road Maintenance Fund
Budget (Cash Basis)	\$ (626,454)	(7,480)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,379)	30
Net adjustments for expenditure accruals	29,182	6,362
Other reconciling items:		
Interfund loans made and repaid	1,432	(390)
GAAP Basis	\$ <u>(527,219)</u>	<u>(1,478)</u>

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Schools and roads - grants to states (Direct Award) *	10.665	N/A	\$ 550,289
Passed-through the Mississippi State Treasurer's Office Schools and roads - grants to states *	10.665	N/A	1,068,350
Total U.S. Department of Agriculture			1,618,639
U.S. Department of Justice - Bureau of Justice Assistance Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	11LB1561	3,967
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 078 B(56)	19,720
Highway planning and construction	20.205	EFLH 0056 20 BO	2,550
Highway planning and construction	20.205	EFLH 0056 22 B	7,769
Highway planning and construction	20.205	EFLH 0056 23 B	6,181
Highway planning and construction	20.205	EFLH 0056 23 BO	53,736
Subtotal			89,956
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	4081-DR-MS	17,652
Emergency management performance grants	97.042	N/A	19,283
Total U.S. Department of Homeland Security			36,935
Total Expenditures of Federal Awards			\$ 1,749,497

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - CFDA #10.665 Schools and roads - grants to states

Of the federal expenditures presented in the schedule, the County provided federal awards totaling \$534,175 to subrecipients during the year ended September 30, 2013.

* Denotes major federal award program

PERRY COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$	255,237
Expendable Commodities:		
Gasoline and petroleum products		69,026
Repair parts		15,068
Clothing		54
Maintenance		21,426
Insurance on equipment		4,926
Solid waste disposal fees		123,105
Telephone and utilities		2,489
Supplies		<u>4,970</u>

Solid Waste Cash Basis Operating Expenditures		496,301
---	--	---------

Full Cost Expenses:

Indirect administrative costs		11,011
Depreciation on equipment		19,800
Interest on solid waste debt		1,132
Net effect of other accrued expenses		<u>16</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>528,260</u></u>
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PERRY COUNTY

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PERRY COUNTY

OTHER INFORMATION

PERRY COUNTY

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PERRY COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

Name	Position	Company	Bond
Bobby R. Bolton	Supervisor District 1	Brierfield Insurance Company	\$100,000
William K. Shows	Supervisor District 2	Brierfield Insurance Company	\$100,000
Thomas Walley	Supervisor District 3	Brierfield Insurance Company	\$100,000
Mitchell Hinton	Supervisor District 4	Brierfield Insurance Company	\$100,000
Lanny Mixon	Supervisor District 5	Hartfield Fire Insurance Company	\$100,000
Natalie Harvison	Comptroller	Brierfield Insurance Company	\$100,000
Vickie Walters	Chancery Clerk	Brierfield Insurance Company	\$100,000
Kathy Dean	Purchase Clerk	Brierfield Insurance Company	\$75,000
Natalie Harvison	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Russell D. Carnahan	Receiving Clerk	Brierfield Insurance Company	\$75,000
Brian Sumrall	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Ryan Barnett	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Phillip Dunnam	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Jason Byrd	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
David Woodson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Bradley McCardle	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Winston D. Henderson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Billy Joe Mills	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Patrick L. Thomas	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Natalie Harvison	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
James Barnes	Constable	Brierfield Insurance Company	\$50,000
Wayne Penton	Constable	Brierfield Insurance Company	\$50,000
Martha F. Clark	Circuit Clerk	Brierfield Insurance Company	\$100,000
Jimmy Dale Smith	Sheriff	Brierfield Insurance Company	\$100,000
James V. Poe	Justice Court Judge	Brierfield Insurance Company	\$50,000
Barry L. Pitts	Justice Court Judge	Brierfield Insurance Company	\$50,000
Teresa Watford	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Spicie Christine Dunnam	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Deakle	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Cochran	Tax Assessor-Collector	Brierfield Insurance Company	\$100,000
Barbara Stallings	Deputy Tax Collector	RLI Insurance Company	\$50,000
Patti Beall	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Kayla Fulmer	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Rebecca D. Breland	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Hallie O. Sullivan	Deputy Tax Collector	Brierfield Insurance Company	\$50,000

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Perry County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perry County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001 and 2013-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-003, 2013-004, 2013-005, 2013-006 and 2013-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


However, we noted certain matters that we reported to the management of Perry County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 19, 2014, included within this document.

Perry County's Responses to Findings

Perry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Perry County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is stylized with a large initial 'W' and a cursive 'Dooss'.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 19, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Perry County, Mississippi

Report on Compliance for Major Federal Program

We have audited Perry County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. Perry County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Perry County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Perry County, Mississippi's compliance.

Opinion on Major Federal Program

In our opinion, Perry County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

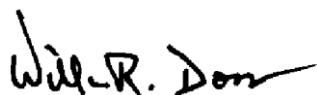
Report on Internal Control Over Compliance

Management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perry County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 19, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Perry County, Mississippi

We have examined Perry County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Perry County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Perry County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Perry County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 19, 2014

PERRY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

PERRY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

PERRY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.

PERRY COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi for the year ended September 30, 2013, we considered Perry County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Perry County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 19, 2014, on the financial statements of Perry County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Perry County should strengthen passwords.

Finding

During our review, we noted that Perry County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Perry County Information Assets.

Recommendation

We recommend that Perry County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Perry County will ensure that passwords are strengthened. Beginning in the month of July 2014, our computer consultant will implement a program to require the changing of passwords which will comply with industry standards. These passwords will be changed to meet best business practices. All other computer vendors will be required to implement the same or similar programs for any and all departments in Perry County.

2. Perry County should expire all individual's passwords on a periodic basis.

Finding

A review of Perry County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Perry County.

Recommendation

We recommend that a policy be implemented to ensure passwords are expired on a regular basis. In addition, Perry County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Perry County will implement a policy to expire all individual passwords. Programs will be added to require the changing of passwords on a timeframe in line with best business practices. An annual review will be performed by a person designated by the Board of Supervisors to conduct this review and all findings will be documented and retained.

3. Perry County should create a rotation of backups offsite.

Finding

Perry County is currently creating backups. In some cases backup media is being taken to the bank's safety deposit box, while in other cases backup media is being carried home by employees. Without secure off-site storage of backup files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

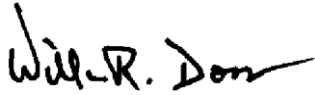
We recommend that Perry County implement a plan to backup systems containing financial related data on a consistent basis to ensure that all backup files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the Perry County Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup media in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that media be kept at the bank for several days (e.g., one week) in case of a disaster situation that required recovery and problems in reading recovery media were experienced.

Board of Supervisors' Response

Offsites will be designated and implementation should be completed within the next 90 days. Backups will be conducted for all financial related data once a week. The Disaster Recovery Plan will include a plan for all county departments as to the backup of data and there will be designated employees to conduct the backups. Department heads will be required to maintain offsite backups as well as computer vendors (Townsend Consultants). A safety deposit box will be acquired from the local bank located across the street from the courthouse and daily backups done by certain departments along with weekly ones will be deposited with department heads rotating weeks for those deposits.

Perry County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

November 19, 2014

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Identification of major program: | |
| a. | CFDA #10.665, Schools and roads – grants to states | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 2013-001. Internal controls should be strengthened to include adequate segregation of duties for the County's general accounting functions.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior two years' audit reports, the County's accounting system is not adequately segregated to assure a proper internal control structure. Based on test work, we noted the following internal control structure weaknesses in the County's accounting structure:

- a. The comptroller acts as the assistant purchase clerk, prepares the monthly docket of claims, prints disbursements checks, and is the inventory control clerk.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

- b. Receipt warrants are posted to the general ledger by the comptroller, who maintains the general ledger.
- c. The comptroller also prepares the payroll.

These conditions could result in unrecorded transactions, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties with respect to control of the general ledger, processing of payroll, purchasing, and inventory accounting functions.

Board of Supervisors' Response

We will comply when and if funding becomes available to hire additional staff.

Material Weakness

- 2013-002. Internal controls over the payroll function should be strengthened.

Finding

An effective system of internal control over the payroll function should include keeping accurate and complete records of each employee's work hours and compensation. The following deficiencies were noted:

- a. Payroll for the Sheriff's office was processed from copies of timesheets rather than originals.
- b. A timesheet for an employee in the Sheriff's office was altered six (6) months after the payroll was approved by the Board of Supervisors.
- c. White-out was used on numerous occasions to alter the hours worked and days off on original timesheets in the Sheriff's office.

Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

The Board of Supervisors should implement effective internal controls over the County's payroll function to ensure payroll is accurate and complete.

Board of Supervisors' Response

Policies will be implemented to ensure that all original timesheets are received by the Payroll Clerk before payroll is processed for any employee. All sick, personal, and compensatory leave will be maintained by the Payroll Clerk for all employees.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Significant Deficiency

2013-003. Perry County should establish and test a disaster recovery process.

Finding

During our review of the IS controls of Perry County (“the County”), we noted the County has not established a disaster recovery process. As a result, Perry County cannot fully ensure that the County’s information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County’s ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization’s ability to restore data files, which may be impossible to recreate.

Perry County is backing up systems containing financial related data via an automated system as well as by manual processes, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County’s buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Perry County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Perry County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors’ Response

Perry County will, within the next six months, amend its Emergency Management Plan to include a disaster recovery process for the information systems. Department heads and employees will be designated within every department to carry out the disaster preparedness and recovery plans. Periodically, prior year backups will be used and tested to ensure that critical data and applications are recoverable. Our computer consultants will begin testing within the next 90 days.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Significant Deficiency

2013-004. Perry County should implement a formal Information Security Policy.

Finding

Perry County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Perry County, beginning steps to become compliance with a policy covering areas such as those listed above are necessary. We recommend that Perry County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

Perry County will begin the process to comply with the recommendations as listed. Perry County's written policy concerning access to computer resources will be amended and once approved by the Board of Supervisors each employee will be required to sign two copies (one will be given to the employee, the other will be retained by management). Other areas as described in the recommendation will be implemented as soon as economically feasible.

Significant Deficiency

2013-005. Perry County needs to replace obsolete computer hardware and software.

Finding

Perry County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors. Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Recommendation

We recommend that Perry County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing, this could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should be implemented as soon as possible.

Board of Supervisors' Response

Perry County will budget each fiscal year for replacement and upgrades of hardware and software. The office of the Board of Supervisors: Accounting, payroll, etc. is already in line for upgrades and these should be up and operational no later than October 1, 2014. Starting with the 2014-2015 fiscal year, monies will be allocated to the department that has the most need for an upgrade and each fiscal year thereafter, another department will be upgraded ensuring that all departments are upgraded routinely.

Sheriff.

Significant Deficiency

2013-006. Internal controls in the Sheriff's Office should be strengthened.

Finding

An effective system of internal control for collecting, recording, and disbursing cash in the Sheriff's Office should include timely bank deposits and adequate segregation of duties. As reported in the prior year's audit report, controls over cash are inadequate. The following deficiencies were noted:

- a. Deposits were not made in a timely manner.
- b. The same person receipts process and bond fees, prepares bank deposits, takes deposits to the bank, posts receipts to the cash journal, prepares the bank reconciliations, and prepares the monthly settlement of fees to the County.

Failure to implement controls over the collecting, recording, and disbursing of cash, and lack of segregation of duties in the Sheriff's Office could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement effective internal control policies that allow for the proper segregation of duties with respect to the collecting, recording, and disbursing of cash.

Sheriff's Response

The Perry County Sheriff's Department operates on a limited financial budget as well as limited personnel. This department has to have one person filling many roles and duties which limits the time needed to fulfill all the responsibilities demanded of the jobs. This department will strive to make every effort to correct and comply with the report's findings and recommendations.

PERRY COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

Significant Deficiency

2013-007. Internal controls over the inmate canteen should be strengthened.

Finding

An effective system of internal control over the inmate canteen fund should include an adequate separation of duties and the maintenance and reconciliation of records documenting revenue collections. As reported in the prior year's audit report, controls were inadequate over cash. The following deficiencies were noted:

- a. The duties of the tactical officer include receipting inmate canteen monies, preparing deposits for the inmate canteen account, reconciling the cash journal to the bank statements, preparing settlements of commissions received and disbursing funds. The work of the tactical officer was not reviewed by another person.
- b. Monies received were not deposited in a timely manner.
- c. All commissions received were not settled to the County in a timely manner.

The failure to implement adequate controls over the collection, recording, and disbursement functions could result in inaccurate reporting, incomplete settlements, and the increased possibility of the loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording, and settlement functions. The Sheriff should ensure that monies are deposited in a timely manner and that commissions received are properly settled to the County.

Sheriff's Response

The Perry County Sheriff's Department operates on a limited financial budget as well as limited personnel. This department has to have one person filling many roles and duties which limits the time needed to fulfill all the responsibilities demanded of the jobs. This department will strive to make every effort to correct and comply with the report's findings and recommendations.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.